

Insurance Corporation of British Columbia

1989



17th Annual Report

For the 12 months ended December 31, 1989

Across BC in 1989

Number of claims reported

<i>Lower Mainland</i>	<i>474,000</i>
<i>Vancouver Island</i>	<i>88,000</i>
<i>Northern BC</i>	<i>64,000</i>
<i>Cariboo</i>	<i>41,000</i>
<i>Okanagan</i>	<i>47,000</i>
<i>Kootenays</i>	<i>25,000</i>

These claims were handled by the staff in 50+ claim service locations throughout the province.

THE YEAR AT A GLANCE

CLAIMS - a record year: 739,000 claims
- an increase of over 90,000 claims.

PREMIUM TAX - ICBC pays a 4 percent premium tax which totalled close to \$49 million.

EARNED PREMIUMS - \$1,246 million
- Premiums earned are up by \$212 million.
- B.C. motorists continue to buy higher levels of third party coverage.

INVESTMENT INCOME - At year-end, the total investment fund stood at \$2.3 billion, a growth of \$271 million during the year. The \$278 million income was 18 percent of total revenue which had the effect of reducing every policy by an average of \$133.

INCOME - The year ended with income of \$90 million.



Contents

<i>Report of the Board of Directors</i>	2
<i>A Sense of Perspective</i>	5
<i>Investments</i>	12
<i>Autoplan Fund</i>	13
<i>Five Year Comparison</i>	14
<i>Unpaid Claims</i>	14
<i>Financial Data</i>	
<i>Statement of Operations</i>	15
<i>Balance Sheet</i>	16
<i>Statement of Changes</i>	17
<i>Notes</i>	18
<i>Auditor's Report</i>	20
<i>President's Committee</i>	21

Report of the Board Of Directors

The automobile insurance industry in North America came under intense scrutiny by governments, regulators, insurers and the public during 1989. In some American states, motorists faced great difficulty finding an insurance company to provide them with protection, and one Canadian province imposed limitations on premium increases. Governments and the industry looked for ways to keep insurance affordable. In the face of such activities, the Insurance Corporation of B. C. experienced a relatively successful year.

The Corporation provides protection from motor vehicle-related losses to the citizens of B. C. and endeavours to do so at cost. In 1989, for every \$100 of earned premiums, the Corporation spent \$98.70 to settle claims. While the cost of claims occurring in 1989 grew by almost 10 percent, the cost of settling outstanding claims from earlier years was observed to be trending downward, by about 3 percent, as they were finalized. As a consequence, the funds set aside to pay these claims were reduced. This reduction contributed significantly to an operating income of \$90 million for the year, or 5.9 percent of all revenue.

This income is used entirely for the benefit of the motorists of B.C. The Rate Stabilization Reserve has been bolstered by \$35 million to protect policyholders against the need for sudden large rate increases in the future. The implications of the series of natural disasters in 1989, particularly the earthquake in California, caused re-evaluation of our Catastrophe Reserve which has been increased by \$10 million. The remainder will be carried forward into 1990 as unappropriated surplus.

This balance of \$45 million, combined with the modest premium rate increase of 4.8 percent, is projected to achieve a break-even position for 1990. However, continuation of 1989 claims trends could result in larger rate increases for 1991 and beyond.

The number of claims reported totalled 739,000, which was 90,000 more than in the previous year and 48,000 more than anticipated. The overall cost of claims and expenses was \$1,434 million, \$213 million more than in 1988.

Surprisingly enough, despite an average increase of 8 percent in premium rates for 1989, motorists continued to buy more and better protection, particularly against injuries to themselves and others. Underinsured motorist protection is now included as part of more than 76 percent of policies. More than 87 percent of policies purchased have increased third party protection, with the average limit purchased exceeding \$1 million.

The number of policies was expected to increase by 51,000 in 1989. The actual increase was 59,000, with 33,000 of these in the fast-growing Lower Mainland. Over the past five years, the average number of Autoplan vehicle policies in force has grown by 222,000 to 2,095 million.

The combined effect of more policies, more protection and the premium rate increase was an increase of \$212 million in earned premium over 1988.

Investment income of \$278 million for the year was 18 percent of the revenue of the Corporation, which had the effect of reducing every policy by an average of \$133. The Corporation's investment portfolio took advantage of short-term interest rates which exceeded 12 percent for much of the year.

In spite of the net income, we should not allow ourselves, or the motorists of B.C., to become complacent. The overall increase of 14 percent in the number of claims reported in the past year far exceeded the increase of 3 percent in the number of policies. Bodily injury claims, which are the most costly, increased by 9.5 percent to 40,778. These alarming figures can be reduced only through changes in driver behaviour.

To maintain good service in the face of increased numbers of claimants, the Corporation was required to add more staff and facilities throughout 1989. New claim centres were opened in Richmond and Burnaby. In 1990, additional centres will be opened in Surrey and North Vancouver. Extensive renovations are also under way at several Lower Mainland centres to increase their capacity. At the same time, to allow greater and more effective use of technology, changes are taking place throughout all claims facilities. Despite these expenses, the average cost to settle a claim has actually decreased from 1988, by \$1, to \$139.

Since 1988, all motorists have had the opportunity to purchase insurance for terms of less than twelve months. The result has been a 20 percent increase in policy-handling activity. Despite this increase, the administrative cost for each policy year sold was \$34, an increase of only 5.1 percent over 1988.

The purchase of more coverage, the 3 percent growth in the number of policyholders and the greater number of short-term policies, increased commission costs by \$9.5 million to a total of \$85 million.

The Corporation pays a 4 percent premium tax and this amounted to \$48.6 million.

In response to the continuing increase in the number of claims, the Corporation expanded its vigorous support of traffic safety initiatives throughout the province. Significant support was provided to community organizations, programs to reach students through schools, and the government Counter-Attack program. In co-operation with the police, specific programs were directed at reducing speeding and intersection accidents. The Corporation will also be providing support to the new program for vehicle inspections, introduced January 1, 1990 by the Ministry of Solicitor General.

The Pacific Traffic Education Centre (PTEC) was established as a joint venture of the Justice Institute of B.C. and the Corporation. PTEC aims to reduce the number and severity of traffic accidents in B.C.

by developing and conducting advanced training courses for emergency vehicle operators, professional drivers and fleet supervisors, offering courses on traffic accident investigation, and conducting research into traffic accidents, vehicle design and professional driver behaviour.

The Corporation celebrated its 15th anniversary in 1989. It was an opportunity to recognize and acknowledge the positive impact the Corporation has made in this province. All employees can take pride in the part they play in providing a very high standard of service to the citizens of B.C. The Board would like to express its appreciation for this achievement, and express its confidence that the challenges of 1990 will be met as successfully.

Raymond J. Addington
Chairman of the Board

Thomas E. Holmes
President and Chief Executive Officer



Raymond J. Addington*
Chairman of the Board
President,
Kelly, Douglas and
Company Limited



Thomas E. Holmes*
President and
Chief Executive Officer
Insurance Corporation
of B.C.



**Honourable
Russell G. Fraser***
Solicitor General
Province of
British Columbia



David W. Battison
Alderman
City of Penticton
Penticton, B.C.



Roland E. Beaulieu†
Businessman
Victoria, B.C.



Walter H. Dyck*†
Chairman, Pannell
Kerr MacGillivray
Chartered
Accountants
Vancouver, B.C.



**Lawrence B.
Eberhardt†**
Formerly Chairman,
President and
Chief Executive Officer
Neon Products
Canada Ltd.
Vancouver, B.C.



Jack F. Ellett‡
President
Price and Markle
Equipment Ltd.
Vernon, B.C.



F. David Radler*†
President
Hollinger Inc.
Vancouver, B.C.



Donald N. Watson†
Formerly President
and Chief
Executive Officer
Canadian Cellulose
Ltd. and Pacific
Western Airlines
Vancouver, B.C.



George R. Wright‡
Vice-Chairman and
Director
Richardson
Greenshields of
Canada Limited
Vancouver, B.C.

MAJOR COMMITTEES OF THE BOARD

*Executive Committee

◆ Audit Committee

† Budget Committee

‡ Investment Committee

"Callers really appreciate knowing what will happen next. Often they don't know where the nearest claim centre is or what papers they need. Answers to their questions help them begin to feel better."



A Sense Of Perspective

The light turned yellow but the motorist behind you was following too closely - a common cause of accidents. Your sister, who was in the car with you, banged her knee on the dash and she's really hurt. You're OK, though badly shaken, and so is the other driver, but that old car of his is a real mess.

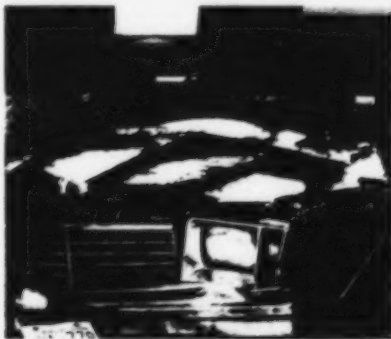
You've been in an accident.

And now what do you do? Should you call the police? You could look at that Autoplan booklet your broker gave you. It has a section on reporting to the police and to ICBC. The police arrive. You exchange information with the other driver and he goes to call a tow truck. While waiting for your sister at the doctor's office, you call the Dial-A-Claim number.

You're upset. Like most B.C. motorists, you enjoy a 40 percent claim-free discount on your auto insurance. Will you lose it? What's it all going to cost?

The Dial-A-Claim representative is trained to be calm, patient and understanding in helping you through the next step in the claiming process. She'll arrange a convenient appointment for you at a claim centre. She fills in accident, vehicle and insurance information on an electronic form, opening a file

for your claim. The file will be ready when you arrive at the claim centre.



Human action and condition are major contributing factors in 81 percent of B.C. accidents. Weather, environmental and vehicle conditions account for the remainder.



"There's more to a claim than legalities, rules and regulations. While I must adhere to those and try to reach a settlement that would be considered equitable in a court of law, I also have a claimant in front of me who has to be treated like a person, not a number."

A Sense Of Perspective

You arrive at the claim centre and are directed to a drive-in bay.

The adjuster assigned to you takes your statement of what occurred in the accident.

While the adjuster meets with you, an estimator assesses the damage to your vehicle. The estimator is an expert in

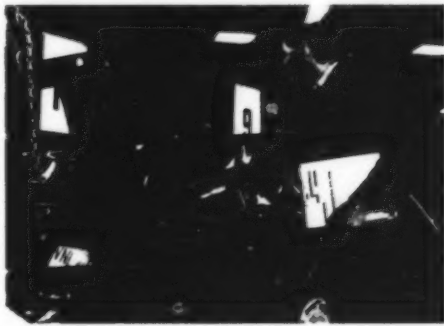
determining the value of parts and labour required to repair all types of vehicles. He fills out a form which you can present at the repair shop of your choice to have repairs done.

In most cases that's all that's required before you take your car for repairs. Your adjuster will discuss the claim with the adjuster for the other motorist. Further investigation may be required to deter-

**“ad/just v:
assess loss or
damages; bring to a
more satisfactory state.”**

mine who was at fault. In your case, the other driver is found to be 100 percent at fault, so your claim-free record won't be affected.

Your adjuster is experienced in both property damage and injury claims. He will meet with your sister to discuss the accident and the doctor's report. Your



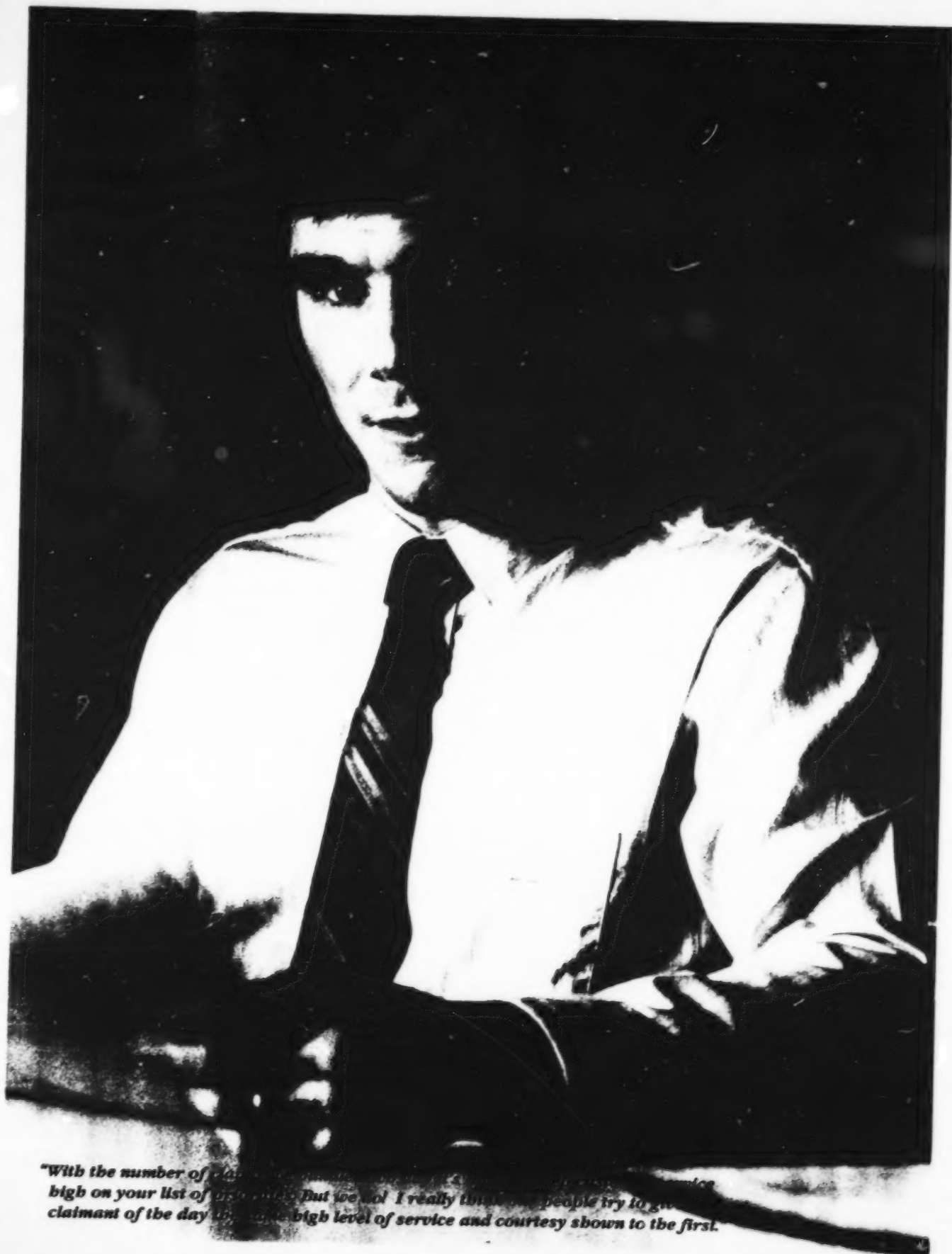
“No-Fault” Accident Benefits (part of the basic compulsory Auto-plan coverage) will cover any medical costs she incurs including physiotherapy and prescriptions. Her doctor will measure her progress and keep the adjuster informed. When it is determined that she is back to normal, the adjuster will arrange another meeting to finalize the claim settlement.

Meanwhile, the other motorist is not very happy...

Page 6: Linda Ealing

Page 7: Martin von Holst

Driver actions that most commonly cause accidents are: driving without due care, failing to yield, backing up unsafely, following too closely and speeding.



"With the number of claimants, it's a high level of service and courtesy shown to the first claimant of the day to be high on your list of priorities. But we do! I really think people try to give the

A Sense Of Perspective

A system of checks, balances and options

First of all, the other driver doesn't agree that he was totally responsible for the accident. His adjuster has reviewed the state-

ments and has investigated the scene of the accident, but his customer isn't satisfied.

The adjuster's Unit Manager agrees to meet with the claimant and, after more discussion, the driver accepts the decision. Other

avenues of appeal are available if necessary. Claim centre managers, a formal claim review or even the courts can be called upon.

However, fewer than two percent of ICBC bodily injury claims go to trial.

Secondly, because his car was an older model, he hadn't purchased any collision coverage.

This means that repairs to his vehicle aren't covered.

The repairs to his vehicle would cost more than the vehicle is worth on the open market.

If he did have collision coverage, the estimator would advise him that his car was a "total loss". The owner would then be offered a settlement based on the market value of the vehicle. ICBC often uses a computer system called "AutoTrak" to find the local selling price for a particular vehicle.

So the negligent driver faces a significant increase in his insurance premium based on his new position on the Claim-Rated Scale. He has learned the hard way that tailgating is dangerous - and costly.

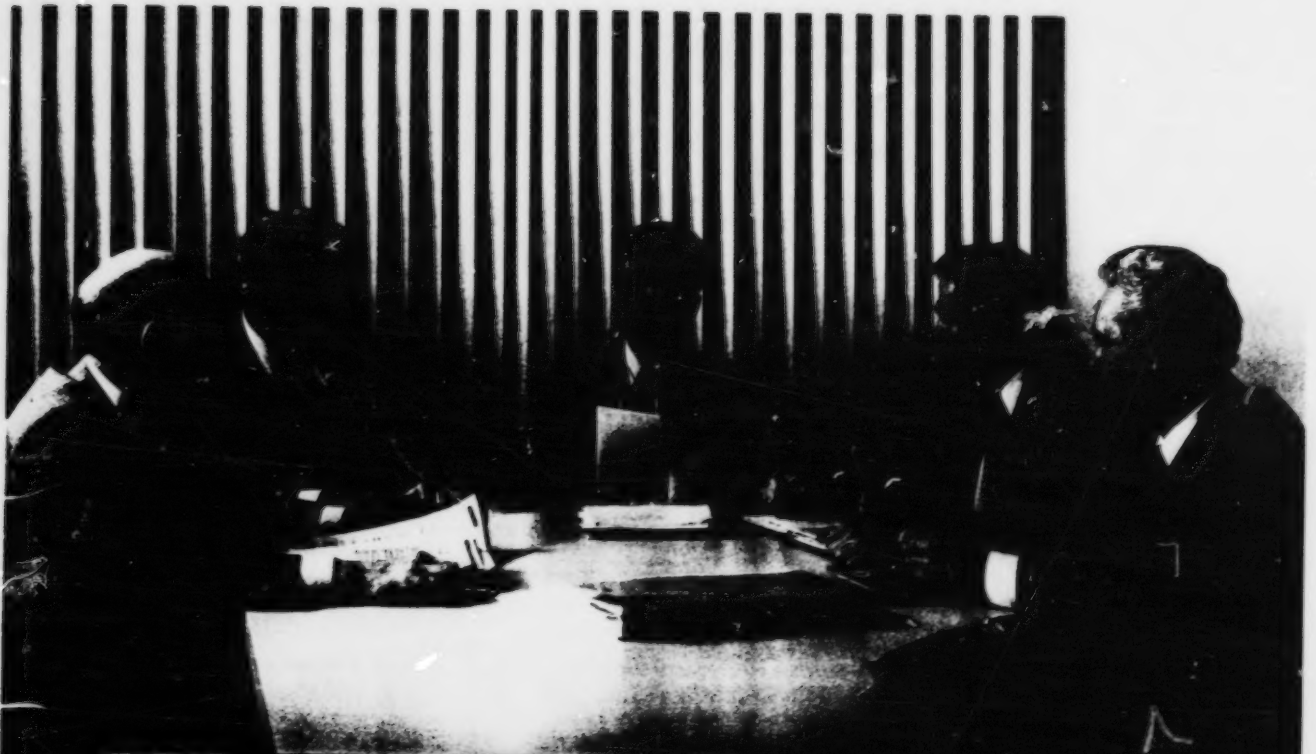


Page 8: Rick Moor

Page 9 Left: Jo-Anne Jarvis and client

Page 9 Right: Tracie Lophien, Michael Brown

Alcohol and driver inexperience are the highest contributing factors to accidents caused by driver condition. The greatest percentage of B.C. accidents occur on Fridays and Saturdays.



A Sense Of Perspective

Your vehicle claim was settled in less than an hour with one visit to the claim centre. The claim centre staff have done their best to get you on the road again. Your sister is on the road to recovery.

You've encountered some of the claims people at ICBC, but there are others you may never meet. They include those in our Salvage Department who store and auction off total loss vehicles to the repair industry, returning more than \$20 million to the Autoplan fund in 1989 to help keep costs down.



On the road again

Our Rehabilitation Department staff helps accident victims, and their families, achieve as normal a lifestyle as possible.

The Special Investigation Unit works with other claim staff, and with the police, to reduce insurance fraud.

In the Material Damage Department, experts in vehicle repair coordinate with the repair industry and auto manufacturers to ensure that B.C. motorists can have their vehicles repaired quickly, professionally and at reasonable cost.

As ICBC strives to be the best auto insurer in North America, we rely on the professionalism and dedication of the people throughout our Claims Division.

*The system isn't perfect yet, but it works.
And it's the people who make it work.*

*Page 10:
Top left to right:
Doug Damberger, Barry Ringham, Neil Armstrong,
Derek Vettese, Peter Crossley*

*Top row:
Jack Skaling, Sharon Wilson, Alex McKenna*

*Bottom row:
Don Brown, Neil Weatherston, Barb Blecher*

*More accidents occur
during evening rush hour
than any other time
of day.*

Please drive with care.

Financial Report

The investment fund reported \$278 million in income during 1989 on an average portfolio of \$2.2 billion for a reported yield of 12.5 percent. At year-end the fund totalled \$2.3 billion. The investment income represented 18 percent of total revenue or \$133 per policy, up from \$105 last year.

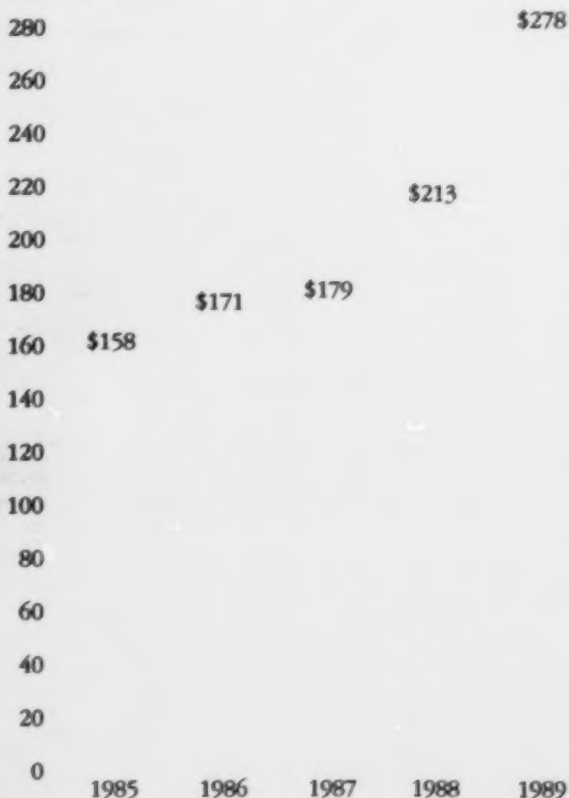
The portfolio's asset mix was maintained at 76 percent short term investments and 24 percent bonds. This combination took advantage of short term rates which exceeded 12 percent at 90 days for most of the year.

At year-end the market value of fixed income securities held was \$5 million less than book value. The small equity portfolio exceeded book value.

All investment income is used to meet operating expenses. As a result, motorists enjoyed lower premiums and the B.C. economy benefitted from the increased spendable income available to each motorist. The following table illustrates this investment income "dividend" per policy based on the average number of policies in each of the last five years.



Millions of dollars



	\$ Million	%
Federal	1,719.9	74.8
Provincial - British Columbia	384.6	16.7
- Others	61.2	2.7
Municipal - British Columbia	7.2	.3
Corporate	110.8	4.8
All Others	16.2	.7
	\$2,299.9	100.0

Financial Report

Operation of the Insurance (Motor Vehicle) Act Fund resulted in a net income of \$90 million for the year 1989.

Overshadowing this result was the increase during the year of 90,467 claims reported to the Corporation, an increase of almost 14 percent in the year. The 739,073 claims, compared by category to 1988 claims, are shown below.

Type of Claim	1989	1988	Increase	
	#	#	#	%
Bodily Injury	40,778	37,233	3,545	9.5
Accident Benefits	47,117	43,551	3,566	8.2
Total Injury-Related	87,895	80,784	7,111	8.8
Property Damage	176,964	166,147	10,817	6.5
Collision	158,715	144,357	14,358	9.9
Comprehensive and other	315,499	257,318	58,181	22.6
Total Property-related	651,178	567,822	83,356	14.7
Total	739,073	648,606	90,467	13.9

The average cost of each 1989 claim, when finally settled, is expected to be \$1,475, a decrease of 2.3 percent from 1988. This modest decrease in average cost per claim indicates that growth in claims reported has been largely in lower costing claims. However, the large increase in the number of claimants has required greater operating expenditures to provide the additional service.

Average claims division staff increased by 186 to reach 1,888 for the year. New facilities were opened and some existing facilities were expanded. Overall costs of claim operations rose by \$11.9 million to \$103 million. On a per claim reported basis, operating costs decreased by \$1 to \$139.

Administrative expenses totalled \$71.2 million, an increase of \$5.0 million over 1988. The cost per policy year of insurance sold increased to \$34 from \$33 in 1988, mainly due to the introduction of policies with terms of less than 12 months.

The cost of brokers' commissions reflects the rise in number of policies, the increases in average premiums and the increased workload associated with the sale of policies for terms of less than 12 months. While the overall cost of commissions rose by \$9.5 million to \$85 million, the percentage of premiums earned required for commissions decreased from 7.3 percent in 1988 to 6.8 percent in 1989.

The expense ratio, which compares administrative costs and commissions to earned premiums, declined from 13.7 percent in 1988 to 12.5 percent, an improvement for the second successive year.

In 1989, the premium tax rate was 4 percent for the full year. Taxes paid amounted to \$48.6 million, an increase of \$13.9 million over the prior year.

	\$ Millions	%
Vehicle premiums earned	1,224.5	80
Driver premiums earned	21.3	2
Investment income	278.5	18
	1,524.3	100
	\$ Millions	%
Claims incurred	1,126.5	74
Claims operation expenses	102.9	7
Administrative expenses	71.2	5
Commissions	85.0	5
Premium tax	48.6	3
Sub-total	1,434.2	94
Income for the year	90.1	6
	1,524.3	100

	\$ Millions	%
Private passenger	937.5	72
Light commercial	30.4	2
Heavy commercial	201.2	16
Recreational	96.1	8
Special coverage	29.8	2
	1,295.0	100

	\$ Millions	%
Bodily Injury	607.5	54
Accident Benefits	42.5	4
Total Injury-related claims	650.0	58
Property Damage	173.0	15
Collision	148.1	13
Comprehensive and other	155.4	14
Total Property-related claims	476.5	42
	1,126.5	100

Financial Report

Annualized values have been used for policies with a term of less than 12 months.

Year ended December 31	1989	1988	1987	1986	1985
Autoplan policies	2,095,000	2,036,000	1,981,000	1,917,000	1,870,000
Premium income (\$000)	1,245,808	1,034,215	821,790	757,754	742,372
Average premium (\$)	580	516	411	376	387
Claims reported during year	739,000	649,000	576,000	536,000	480,000
Cost of claims incurred (\$000)	1,126,456	953,798	850,546	742,139	653,883
Expense ratio % (excluding premium tax)	13	14	15	15	15
Investment income (\$000)	278,493	213,140	179,205	171,241	158,385
Investments at year end (\$000)	2,299,925	2,028,760	1,778,211	1,546,432	1,359,802
Unpaid claims (\$000)	1,749,429	1,553,174	1,401,976	1,245,488	1,090,958
Total assets (\$000)	2,559,387	2,212,917	1,957,449	1,702,603	1,529,505
Income (Loss) (\$000)	90,095	26,153	(57,793)	1,120	73,562
Average number of employees	3,040	2,807	2,604	2,415	2,310

The provision for unpaid claims includes an estimate for reported and unpaid claims and expenses, based on the claim settlement experience of the Corporation, current trends and a detailed review of claim files. Also included are estimates for unreported claims and for protection against uncertainty related to settling currently outstanding claims in future periods.

Year of Loss	1989	1988
	(\$ Millions)	
1985 and prior	85.6	163.6
1986	112.8	217.8
1987	252.4	400.7
1988	451.7	771.1
1989	846.9	—
Total unpaid claims at December 31	\$1,749.4	\$1,553.2

Financial Report

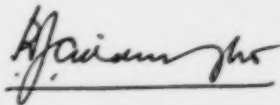
	1989	1988
	(\$ Thousands)	
Revenue		
Vehicle premiums written	\$1,295,040	\$1,087,752
Driver premiums written	23,514	18,871
	\$1,318,554	\$1,106,623
Vehicle premiums earned	1,224,534	1,016,087
Driver premiums earned	21,274	18,128
	1,245,808	1,034,215
Claims costs		
Claims incurred	1,126,456	953,798
Claims operation expenses	102,972	91,096
	1,229,428	1,044,894
Expenses		
Administrative	71,222	66,179
Commissions	84,993	75,447
Premium tax	48,563	34,682
	204,778	176,308
Total claims and expenses	1,434,206	1,221,202
Underwriting loss	(188,398)	(186,987)
Investment income	278,493	213,140
Income for the year	90,095	26,153
Unappropriated surplus - beginning of year	10,370	217
Appropriation to:		
Catastrophe reserve	(10,000)	—
Rate stabilization reserve	(35,000)	(16,000)
Unappropriated surplus - end of year	\$55,465	\$10,370

Financial Report

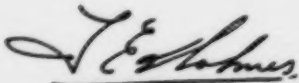
	1989	1988
	(\$ Thousands)	
Cash in hands of agents	10,758	8,284
Investments (Note 3)	2,299,925	2,028,760
Accrued interest receivable	73,350	27,306
Accounts receivable	12,309	11,526
Deferred premium acquisition expenses	53,893	44,702
Property and equipment (Note 4)	109,152	92,339
	\$2,559,387	\$2,212,917
Cheques outstanding	23,264	18,469
Accounts payable and accrued charges	43,715	31,680
Premiums and fees in advance	42,573	44,366
Deferred investment gains and losses (Note 5)	67,882	95,546
Unearned premiums	482,059	409,312
Unpaid claims	1,749,429	1,553,174
	2,408,922	2,152,547
Catastrophe reserve (Note 6)	30,000	20,000
Rate stabilization reserve (Note 6)	65,000	30,000
Unappropriated surplus	55,465	10,370
	150,465	60,370
	\$2,559,387	\$2,212,917

Approved by the Board

Director:



Director:



Financial Report

	1989	1988
	(\$ Thousands)	
Operating Activities		
Cash received from:		
Agents for vehicle premiums, licence fees and social service taxes	\$1,558,298	\$1,320,772
Interest and net gains on investments	205,243	197,733
Collections for driver point penalty premiums, subrogation and other receivables	55,119	50,655
Salvage sales	20,444	18,779
	1,839,104	1,587,939
Cash paid to:		
Claimants or third parties on behalf of claimants	976,745	843,868
Province of British Columbia for licence fees and social service taxes collected	194,833	173,274
Province of British Columbia for premium taxes	51,028	33,166
Suppliers of goods and services	48,370	45,646
Vendors of land, buildings and equipment	31,440	15,246
Employees for salaries and benefits	116,056	104,692
Agents for commissions	88,230	74,982
Policyholders for premium refunds	62,426	55,776
All others	1,132	212
	1,570,260	1,346,862
Increase in cash and investments during the year	268,844	241,077
Cash and investments - beginning of year	2,018,575	1,777,498
Cash and investments - end of year	\$2,287,419	\$2,018,575
Represented by:		
Cash	10,758	8,284
Investments	2,299,925	2,028,760
Cheques outstanding	(23,264)	(18,469)
	\$2,287,419	\$2,018,575

Financial Report

The Insurance Corporation of British Columbia (the Corporation) is a Crown corporation incorporated under the Insurance Corporation Act, R.S.B.C. Chapter 201. The Corporation operates and administers the Insurance (Motor Vehicle) Act Fund, and as required by legislation, reports the revenues and expenses attributable to the operation of the Insurance (Motor Vehicle) Act Fund separately from other operations of the Corporation, if any. The Corporation also has the power and capacity to act as an insurer and reinsurer in all classes of insurance, but is not presently engaged in any such activities.

BASIS OF REPORTING

The financial statements of the Corporation, as required by the Insurance Corporation Act, are prepared in accordance with generally accepted accounting principles. The more significant accounting policies adopted are noted below.

INVESTMENTS AND INVESTMENT INCOME

Bonds are valued at amortized cost with any premium or discount on purchase being deferred and amortized over the term to maturity of each bond. Money market securities and equities are valued at cost. Income on interest bearing securities is accrued daily. Dividends on equity investments are recognized as income on their payment dates.

Capital gains and losses realized on bond sales are deferred and amortized over the term to maturity of the bond or 60 months, whichever is less. Capital gains and losses on money market securities and equity investments are included in income in the period realized.

DEFERRED PREMIUM ACQUISITION EXPENSES

Commissions and premium taxes are expensed over the terms of the insurance policies to which they relate.

DEPRECIATION AND AMORTIZATION

Depreciation is provided on a straight-line basis at rates which will depreciate the original cost over the useful life of each asset. Leasehold improvements are amortized over the term of each lease.

UNEARNED PREMIUMS

Unearned premiums is that portion of premiums that relates to the unexpired term of each vehicle policy or driver's point penalty premium.

UNPAID CLAIMS

The provision for unpaid claims includes an estimate for reported and unpaid claims and expenses, based on the claim settlement experience of the Corporation, current trends and a detailed review of claim files. Also included are estimates for unreported claims and for protection against uncertainty related to settling currently outstanding claims in future periods.

PRIOR YEAR'S FIGURES

Certain of the prior year's figures have been reclassified to conform with the current year's presentation.

	Dec. 31, 1989		Dec. 31, 1988	
	Cost	Market	Cost	Market
	(\$ Thousands)			
Money Market Securities	\$1,746,888	\$1,746,888	\$1,542,972	\$1,542,972
Bonds	551,223	545,855	483,943	471,638
Equities	1,814	2,107	1,845	1,920
	\$2,299,925	\$2,294,850	\$2,028,760	\$2,016,530

Financial Report

	Dec. 31, 1989		Dec. 31, 1988	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
	(\$ Thousands)			
Land	\$ 22,111	\$ —	\$ 22,111	\$ 14,244
Buildings	91,995	35,611	56,384	50,320
Furniture and equipment	67,585	37,098	30,487	27,565
Leasehold improvements	890	720	170	210
	\$182,581	\$ 73,429	\$109,152	\$ 92,339

Depreciation has been charged at the following rates — buildings 5-10%; furniture and equipment 10-33.3%. Depreciation expense for the year ended December 31, 1989 amounted to \$15,002,000 (1988 - \$13,476,000).

	Dec. 31, 1989	Dec. 31, 1988
	(\$ Thousands)	
Balance deferred - beginning of year	\$95,546	\$ 111,157
Net realized gains during year	4,098	15,447
Amount included in investment income	(31,762)	(31,058)
Balance deferred - end of year	\$67,882	\$ 95,546

A catastrophe reserve has been established, in accordance with industry practice, to provide financial and reinsurance stability. A rate stabilization reserve has been established to lessen the impact on premiums of significant variations in claims loss experience.

During the year the Corporation appropriated, from the Insurance (Motor Vehicle) Act Fund Surplus, \$10,000,000 to the catastrophe reserve and \$35,000,000 to the rate stabilization reserve.

The Corporation underwrites policies of insurance and has obtained reinsurance of those policies which protects the Corporation against losses of up to \$110,000,000 and limits the Corporation's liability to \$7,500,000, in the event of a series of three or more claims arising out of a single occurrence. These reinsurance arrangements do not discharge the Corporation's obligation as primary insurer.

The Corporation is the sole provider of compulsory automobile insurance in British Columbia and, therefore, insures vehicles owned or leased by the government of the province and its controlled entities. The Corporation also acts as agent for the Motor Vehicle Department regarding the collection of motor vehicle licence fees and for the Ministry of Finance and Corporate Relations regarding the collection of social service taxes on privately sold used vehicles.

continued...

Financial Report

The Corporation maintains two contributory defined benefit pension plans which provide retirement benefits for substantially all regular employees, based on their length of service and best years' average earnings. The plans are, to all intents and purposes, identical and are funded through a single fund - I.C.B.C. Employees' Retirement Trust Fund.

The present value of the accrued pension benefits and the net assets at market value available to provide these benefits are as follows:

	1989	1988
	(\$ Thousands)	
Accrued pension benefits	\$76,086	\$62,686
Retirement Fund assets at market value	\$97,741	\$80,004

The value of the accrued pension benefits as at December 31, 1988 is based on an actuarial valuation. This was updated at December 31, 1989 by the plans' actuaries.

The Corporation's pension contribution of \$3,772,000 (1988 - \$3,225,000) matches the employee contribution. These have both been established taking into account the amortization of experience and investment gains and losses over the average service life of the employees in the plan.

The unamortized surplus of the fund is for the benefit of eligible employees and is not recognized in determining the Corporation's operating results.

THE HONOURABLE RUSSELL G. FRASER SOLICITOR GENERAL FOR THE PROVINCE OF BRITISH COLUMBIA

We have examined the balance sheet of the Insurance Corporation of British Columbia as at December 31, 1989 and the statements of operations of the Insurance (Motor Vehicle) Act Fund and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operation of the Insurance (Motor Vehicle) Act Fund and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The comparative figures for 1988 were reported on by other auditors.

Coopers & Lybrand

CHARTERED ACCOUNTANTS
Vancouver, British Columbia
February 8, 1990

President's Committee



*Thomas E. Holmes
President and Chief
Executive Officer*



*Robert H. Power
Executive
Vice-President*



*William A. Heese
Vice-President,
Finance and
Planning*



*Michael B. McCarthy
Vice-President,
Insurance Operations*



*Donald J. McLean
Vice-President,
Information Services*



*John R. Neilson
Vice-President,
Human Resources
and Corporate
Secretary*



*C. Bev Penball
Manager,
Public Information*



*H. Graham Reid
Vice-President,
Claims*



*Clifford A. von Zuben
Vice-President,
Investments and
Treasurer*